CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended July 31, 2016
(Expressed in Canadian dollars)

Q1 Fiscal 2017

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated interim financial statements of Golden Reign Resources Ltd. as at July 31, 2016 and 2015, notes to unaudited consolidated interim financial statements and related Management's Discussion and Analysis have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

GoldenReign RESOURCES LTD.

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
Expressed in Canadian dollars

As at	July 31, 2016	April 30, 2016
ASSETS		
Current		
Cash	$ 819,650	$ 2,463,549
Receivables	23,885	8,807
Prepaid expenses	104,803	7,669
Total current assets	948,338	2,480,025
Equipment	111,760	116,035
Exploration and evaluation assets (Note 3)	34,507,930	31,177,314
TOTAL ASSETS	**$ 35,568,028**	**$ 33,773,374**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 4)	$ 662,760	$ 585,454
Total current liabilities	662,760	585,454
Gold Stream Arrangement (Note 6)	951,909	689,179
TOTAL LIABILITIES	**1,614,669**	**1,274,633**
Shareholders' equity		
Share capital (Note 5)	33,497,831	33,477,988
Reserves - share based (Note 5)	6,665,374	5,740,674
Cumulative translation adjustment	6,367,892	5,066,092
Deficit	(12,577,738)	(11,786,013)
Total shareholders' equity	33,953,359	32,498,741
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 35,568,028**	**$ 33,773,374**

Nature of Operations (Note 1)
Subsequent events (Note 12)

On behalf of the Board:

"Kim Evans" Director ***"Abraham Jonker"*** Director

The accompanying notes are an integral part of these consolidated financial statements.

GoldenReign RESOURCES LTD.

CONSOLIDATED INTERIM STATEMENTS OF LOSS
(Unaudited)
Expressed in Canadian dollars

	For the three months ended	
	July 31, 2016	**July 31, 2015**
OPERATING EXPENSES		
Wages and benefits	$ 68,038	$ 98,646
Share-based compensation (Note 5)	667,900	-
Office and miscellaneous	28,611	22,291
Professional fees	7,360	15,110
Regulatory and listing fees	1,472	2,523
Travel and promotion	17,653	1,047
Depreciation	781	652
Foreign exchange (gain) loss	(90)	75
LOSS FOR THE PERIOD	$ **(791,725)**	$ **(140,344)**
Basic and diluted loss per common share	$ (0.00)	$ (0.00)
Weighted average number of common shares outstanding	**161,948,986**	**112,028,875**

The accompanying notes are an integral part of these consolidated financial statements.

GoldenReign RESOURCES LTD.

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
Expressed in Canadian dollars

	For the three months ended	
	July 31, 2016	**July 31, 2015**
Loss for the period	**$ (791,725)**	**$ (140,344)**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation adjustment	1,301,800	2,360,363
Other comprehensive income for the period	1,301,800	2,360,363
Comprehensive income for the period	**$ 510,075**	**$ 2,220,019**

The accompanying notes are an integral part of these consolidated financial statements.

GoldenReign RESOURCES LTD.

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
Expressed in Canadian dollars

	Number of shares	Share capital	Reserves - Share based	Cumulative translation adjustment	Deficit	Total Equity
Balance - April 30, 2015	**116,491,941**	**$ 29,843,342**	**$ 5,652,074**	**$ 4,005,477**	**$ (11,319,415)**	**$ 28,181,478**
Proceeds from repricing of warrants	-	-	324,057	-	-	**324,057**
Share issue costs	-	(439)	-	-	-	**(439)**
Loss for the year	-	-	-	-	(140,344)	**(140,344)**
Other comprehensive income	-	-	-	2,360,363	-	**2,360,363**
Balance – July 31, 2015	**116,491,941**	**$ 29,842,903**	**$ 5,976,131**	**$ 6,365,840**	**$ (11,459,759)**	**$ 30,725,115**
Balance - April 30, 2016	**161,931,096**	**$ 33,477,988**	**$ 5,740,674**	**$ 5,066,092**	**$ (11,786,013)**	**$ 32,498,741**
Shares issued on exercise of warrants	107,625	20,215	(7,300)	-	-	**12,915**
Share issue costs	-	(372)	-	-	-	**(372)**
Share-based compensation	-	-	932,000	-	-	**932,000**
Loss for the year	-	-	-	-	(791,725)	**(791,725)**
Other comprehensive income	-	-	-	1,301,800	-	**1,301,800**
Balance – July 31, 2016	**162,038,721**	**$ 33,497,831**	**$ 6,665,374**	**$ 6,367,892**	**$ (12,577,738)**	**$ 33,953,359**

The accompanying notes are an integral part of these consolidated financial statements.

GoldenReign RESOURCES LTD.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
Expressed in Canadian dollars

	For the three months ended	
	July 31, 2016	**July 31, 2015**
OPERATING ACTIVITIES		
Loss for the period	$ (791,725)	$ (140,344)
Items not affecting cash:		
Depreciation	781	652
Share-based compensation	667,900	-
Changes in non-cash working capital items related to operations:		
Receivables	(15,079)	8,386
Prepaid expenses	(79,527)	(13,348)
Accounts payable and accrued liabilities	(5,559)	16,729
Cash used in operating activities	(223,209)	(127,925)
INVESTING ACTIVITIES		
Acquisition of equipment	(3,760)	-
Expenditures on exploration and evaluation assets	(1,693,851)	(406,028)
Cash used in investing activities	(1,697,611)	(406,028)
FINANCING ACTIVITIES		
Proceeds from exercise of warrants	12,915	-
Proceeds from warrant amendment	-	324,057
Gold Stream Arrangement	262,730	-
Share issue costs	(372)	(439)
Cash generated by financing activities	275,273	323,618
Increase in cash during the period	(1,645,547)	(210,355)
Effect of foreign exchange on cash	1,648	9,078
Cash, beginning of period	2,463,549	693,257
Cash, end of period	$ 819,650	$ 492,000

The accompanying notes are an integral part of these consolidated financial statements.

GoldenReign RESOURCES LTD.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
Expressed in Canadian dollars

Supplemental cash flow information

	July 31, 2016	April 30, 2016
Cash paid during the year for:		
Interest	$ -	$ -
Income taxes	$ -	$ -
Non-cash financing and investing activities:		
Share-based compensation included in exploration costs	$ 264,100	$ 13,400
Depreciation included in exploration costs	$ 11,501	$ 103,166
Exploration costs included in accounts payable	$ 287,226	$ 152,692
Fair value of warrants issued as finders' fees	$ -	$ 48,300

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Golden Reign Resources Ltd. (the "Company") was incorporated on April 1, 2004 under the laws of the Yukon Territory and continued into British Columbia under the *British Columbia Corporations Act.* Its principal business activity is the acquisition and exploration of exploration and evaluation assets. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol GRR. The address of the Company's corporate office and principal place of business is Suite 501 – 595 Howe Street, Vancouver, BC, Canada.

The Company's primary exploration and evaluation asset is the San Albino-Murra Mining Concession, located in Nicaragua, which is in an advanced exploration stage. Recovery of the carrying value of an investment in exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary funding to complete exploration and development and the attainment of future profitable production or the disposition of these assets for proceeds in excess of their carrying values.

The Company is focused on acquiring, exploring and developing exploration and evaluation assets in Nicaragua. In conducting operations in Nicaragua, the Company is subject to considerations and risks such as the political, economic and legal environments in an emerging market. The Company's results may inter alia be adversely affected by changes in Nicaragua's governmental policies with respect to mining laws and regulations, and rates and methods of taxation.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has no source of operating cash flows, has not yet achieved profitable operations, has accumulated losses since its inception, expects to incur further losses in the development of its business and has no assurance that sufficient funding will be available to conduct further exploration of its mineral properties.

In the future, the Company may raise additional financing through the issuance of share capital and/or debt instruments, however, there can be no assurance that it will be successful in its efforts to do so or that the terms will be favorable to the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and Interpretations by the IFRS Interpretations Committee.

These unaudited consolidated interim financial statements were approved by the Board of Directors on September 29, 2016.

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

The accounting policies set out below have been applied consistently to all periods in these consolidated interim financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company's subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases.

All intercompany balances, transactions, income and expenses have been eliminated upon consolidation.

(d) Subsidiaries

A subsidiary is an entity controlled by the Company. Control exists when the Company has exposure or rights to variable returns from its involvement with an entity, and the ability to affect those returns through its power over the entity. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those of the Company.

The consolidated financial statements of the Company include the following subsidiaries:

Name of subsidiaries	Place of incorporation	Percentage ownership
Nicoz Resources, S.A.	**Nicaragua**	**100%**
Gold Belt, S.A.	**Nicaragua**	**100%**

(e) Determination of Functional Currency

The financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company, Golden Reign Resources Ltd., is the Canadian dollar; and the functional currency of the Company's subsidiaries is the US dollar. The presentational currency of the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, "The Effects of Changes in Foreign Exchange Rates".

Transactions in currencies other than the entity's functional currency are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the financial reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

The financial statements of entities that have a functional currency different from that of the Company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate for the applicable period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as currency translation differences and taken into a separate component of equity.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(e) Determination of Functional Currency (cont'd…)

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses in accumulated other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses in accumulated other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

(f) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL"). All of the financial assets held by the Company at the statement of financial position date have been classified as loans and receivables.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Receivables are classified as loans and receivables.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

(g) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. All of the financial assets held by the Company at the statement of financial position date have been classified as loans and receivables.

Other financial liabilities consist of liabilities carried at amortized cost being the effective interest method. The Company's accounts payable, accrued liabilities, and Gold Stream Arrangement are classified as other financial liabilities.

(h) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the assets have been negatively impacted.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(h) Impairment of financial assets (cont'd…)

For all financial assets objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principle payments; or
- It has become probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

In a subsequent period if, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(i) Exploration and evaluation assets

Exploration costs prior to obtaining legal title are expensed in the period in which they are incurred. All costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized to property until the commencement of commercial production. Properties that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

Management reviews the capitalized costs on its exploration and evaluation assets at each quarterly reporting period to consider if there is an impairment to take into consideration from current exploration results and management's assessment of the exploration results and of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and accumulated exploration and evaluation costs are written off to profit or loss. If the carrying value of a project exceeds its estimated value, an impairment provision is recorded.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are tested for impairment and then reclassified to development assets within property, plant and equipment. Costs associated with the commissioning of new assets, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any preproduction revenues. Commercial production is deemed to have occurred when management determines certain production parameters are met which demonstrates that the asset is operating in the way intended by management.

Should a project be put into production, all capitalized costs will be amortized over the life of the project based on estimated economic reserves or over the life of the specific asset if shorter than the mine life.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(j) Decommissioning, restoration and similar liabilities

The Company recognizes the liabilities for statutory, contractual, constructive or legal obligations associated with the decommissioning of tangible long-lived assets in the period when the liability arises. The net present value of future rehabilitation costs is capitalized to the long-lived asset to which it relates with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

The Company has no known restoration, rehabilitation or environmental costs related to its exploration and evaluation assets.

(k) Equipment

Equipment is recorded at historical cost less related accumulated depreciation and impairment losses. Cost is determined as the expenditure directly attributable to the asset at acquisition, only when it is probable that future economic benefits will flow to the Company and the cost can be reliably measured. When an asset is disposed of, its carrying cost is derecognized. All repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

The Company provides for depreciation of equipment on a straight line basis unless otherwise noted using the following annual rates:

Buildings	10%
Computer equipment	20% - 50%
Furniture and equipment	30%
Exploration equipment	50%
Vehicles	20% - 50%

Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

When equipment is composed of major components with different useful lives, the components are accounted for as separate items of capital assets. Expenditures incurred to replace an asset component that is accounted for separately, including major inspections and overhaul expenditures, are capitalized.

The Company's equipment is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(l) Share capital

The Company has one class of shares, common shares, which are classified as share capital. These are recorded at the proceeds received less any direct issue costs. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Where the Company purchases any of the its equity share capital, the consideration paid is deducted from equity attributable to the Company's equity holders until shares are cancelled, reissued or disposed of.

(m) Deferred taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity or loss. Current income tax expense represents the expected income tax payable (or recoverable) on taxable income for the period using income tax rates enacted or substantially enacted at the end of the reporting period and taking into account any adjustments arising from prior periods.

Deferred tax is recorded, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recorded.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(n) Loss per share

The Company presents basic and diluted loss per share data for common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(o) Share-based compensation

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(o) Share-based compensation (cont'd…)

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based compensation. Otherwise, share-based payments are measured at the fair value of goods or services received.

(p) Significant accounting judgments and estimation uncertainties

The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the financial statement, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

1. The carrying value and the recoverability of exploration and evaluation assets

   Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

2. Valuation of share-based payments and compensatory warrants

   Share-based payments and compensatory warrants are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(p) Significant accounting judgments and estimation uncertainties (cont'd…)

(i) Critical accounting estimates (cont'd…)

3. Deferred income taxes

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant judgment of future taxable profit. Management is required to assess whether it is probable that the Company will benefit from its deferred tax assets. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income and resource tax assets.

4. Valuation of the derivative liability embedded in the Gold Stream Arrangement

The Company has entered into a Gold Stream Arrangement (Note 6) which contains a derivative liability. The valuation of this derivative utilizes a number of assumptions, including discount rate, future gold prices, the probability of achieving commercial production from the San Albino Gold Deposit, and future production levels. As at the statement of financial position date, management, due to uncertainties related to permitting and Marlin's right to opt out of future funding, has determined the derivative value to be nominal.

(ii) Critical accounting judgments

Functional Currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The Company determined the functional currency of its Canadian operations to be the Canadian dollar, and the functional currency of its Nicaraguan operations to be the United States dollar. Determination of functional currency may involve certain judgements to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Capitalization of exploration costs

The determination of the Company's transition from exploration to development requires judgement in determining the timing at which to begin capitalizing development costs and whether future economic benefits, which are based on assumptions about future events and circumstances, may be realized.

(q) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(r) Changes in accounting policies and new accounting pronouncements

New accounting standards and interpretation

There are no new or amended standards or interpretations adopted during the period that have a significant impact on the financial statements.

Accounting standards not yet effective

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative and relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

IFRS 15 applies to an annual reporting period beginning on or after January 1, 2018.

IFRS 9, *Financial Instruments – Classification and Measurement*

IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 16, *Leases*

IFRS 16 specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

The Company is in the process of determining the impact that these changes will have on its financial statements.

3. EXPLORATION AND EVALUATION ASSETS

(a) San Albino-Murra Property, Nicaragua

The Company acquired a 100% interest in the San Albino-Murra Mining Concession (the "Property") located in Nicaragua by making cash payments of US$1,100,000, incurring aggregate exploration expenditures of US$5,000,000 and issuing 6,100,000 common shares at a value of $2,813,770.

There is a net smelter return of 3% payable to the Nicaraguan government pursuant to existing mining laws.

The San Albino-Murra Property license is valid until February 3, 2027 and may be renewed for another 25-year term.

(b) El Jicaro Concession, Nicaragua

In January 2012, the Company paid $119,472 (USD$120,000) to acquire a 100% interest in the El Jicaro Concession, which is contiguous to the San Albino-Murra Property, located in Nueva Segovia, Nicaragua.

The El Jicaro Concession license is valid for a period of 25 years until September 28, 2033 and may be renewed for another 25-year term.

For the Three-month Period ended July 31, 2016:

	San Albino-Murra	El Jicaro	Total
Acquisition costs			
Balance, April 30, 2016	$ 5,497,185	$ 150,576	$ 5,647,761
Translation adjustment	222,551	6,096	228,647
	$ 5,719,736	**$ 156,672**	**$ 5,876,408**
Deferred exploration costs			
Balance, April 30, 2016	25,433,960	95,593	25,529,553
Consulting	123,013	-	123,013
Depreciation	15,459	-	15,459
Engineering	385,213	-	385,213
Field office	91,878	-	91,878
Geological consulting	79,768	-	79,768
Professional fees	4,314	-	4,314
Project expenses	1,126,164	13,583	1,139,747
Stock-based compensation	265,555	-	265,555
Travel	10,410	-	10,410
Translation adjustment	982,640	3,972	986,612
	28,518,374	**113,148**	**28,631,522**
Balance, July 31, 2016	**$ 34,238,110**	**$ 269,820**	**$ 34,507,930**

3. EXPLORATION AND EVALUATION ASSETS (cont'd…)

For the Year Ended April 30, 2016:

	San Albino-Murra	El Jicaro	Total
Acquisition costs			
Balance, April 30, 2015	$ 5,285,149	$ 144,768	$ 5,429,917
Translation adjustment	212,036	5,808	217,844
	$ 5,497,185	**$ 150,576**	**$ 5,647,761**
Deferred exploration costs			
Balance, April 30, 2015	22,240,662	54,908	22,295,570
Consulting	137,844	-	137,844
Depreciation	103,166	-	103,166
Engineering	835,820	-	835,820
Field office	164,688	-	164,688
Geological consulting	447,641	-	447,641
Professional fees	58,768	1,577	60,345
Project expenses	770,685	38,758	809,443
Travel	94,798	-	94,798
VAT (IVA) recovery	(177,324)	-	(177,324)
Translation adjustment	757,212	350	757,562
	25,433,960	**95,593**	**25,529,553**
Balance, April 30, 2016	**$ 30,931,145**	**$ 246,169**	**$ 31,177,314**

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2016	April 30, 2016
Accounts payable	**$ 163,726**	**$ 140,556**
Accrued liabilities	**499,034**	**444,898**
	$ 662,760	**$ 585,454**

5. SHARE CAPITAL

Authorized:

Unlimited number of common shares, without par value

(a) Private placements

There were no private placements undertaken during the three-months ended July 31, 2016.

During the year ended April 30, 2016, the Company raised gross proceeds of $3,116,640 via a non-brokered private placement of 38,958,000 common shares priced at $0.08 per share. In connection with the offering, the Company paid finder's fees of $57,806 cash and granted 712,075 share purchase warrants priced at $0.12 per share exercisable for a period of twelve months. The share purchase warrants were valued at $48,300 and credited to reserves-share based. Fair value was determined using the Black-Scholes valuation model, based on a risk free interest rate of 0.56%, an expected life of one year, an expected volatility of 74.78% and a dividend rate of nil.

5. SHARE CAPITAL (cont'd...)

(b) Share purchase warrants

There were no share purchase warrants issued during the three-month period ended July 31, 2016.

During the year ended April 30, 2016, the Company raised gross proceeds of $324,057 under a warrant amendment program (the "Program") whereby, for a price of $0.05 per warrant and at the warrant holders' option, the expiry date of 6,481,155 common share purchase warrants was extended to December 31, 2017 and the exercise price reduced to $0.05 from $0.25 per share for a period of 12 months and $0.10 per share thereafter until expiry of the term. The amended warrants were subject to an accelerated expiry clause during the unexpired term which was triggered when the Company's shares traded at $0.12 or greater for a period of 10 consecutive trading days. All of the eligible warrants were exercised at a price of $0.05, realizing additional proceeds of $324,057.

A total of 1,562,310 warrants were not eligible for amendment pursuant to TSX-V policies. A further 13,666,511 warrants, the holders of which did not elect to amend the warrant terms, continued to be exercisable in accordance with the original terms. During the 2016 fiscal year, 15,228,821 warrants expired unexercised.

In March 2016, the Company issued 712,075 share purchase warrants as finder's fees in connection with a non-brokered private placement (see 5(a) above).

Share purchase warrant transactions for the periods ended July 31, 2016 and April 30, 2016 are summarized below:

	For the Three-months Ended July 31, 2016			**For the Year Ended April 30, 2016**		
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price
Opening balance	712,075	$	0.12	21,709,976	$	0.25
Granted	-		-	712,075		0.12
Exercised	(107,625)		0.12	(6,481,155)		0.10
Expired	-		-	(15,228,821)		(0.25)
Repriced	-		-	(6,481,155)		(0.25)
Repriced	-		-	6,481,155		0.05
Ending balance	**604,450**	**$**	**0.12**	**712,075**	**$**	**0.12**
Warrants exercisable	**604,450**	**$**	**0.12**	**712,075**	**$**	**0.12**

As at July 31, 2016 and April 30, 2016 the following share purchase warrants were outstanding:

Expiry Date	**Exercise Price**	**July 31, 2016**	**April 30, 2016**	**Weighted Average Remaining Contractual Life**
March 22, 2017	$0.12	604,450	712,075	0.64 years

5. SHARE CAPITAL (cont'd...)

(b) Share options

The Company has a share option plan, under which the Board of Directors is authorized to grant options to employees, directors, officers and consultants, enabling them to acquire up to 10% of the issued and outstanding share capital of the Company. The exercise price of each option is based at minimum on the market price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of five years. Options granted to investor relations consultants are subject to vesting provisions, as established by regulatory authorities, over a twelve month period, with no more than ¼ vesting during any three month period. Vesting provisions for other options are determined by the Company's Board of Directors.

The following options were outstanding as at July 31, 2016 and April 30, 2016:

	For the Three-months Ended July 31, 2016		**For the Year Ended April 30, 2016**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	6,430,000	$0.22	7,339,000	$0.24
Granted	6,000,000	0.25	2,000,000	0.10
Expired	-	-	(2,909,000)	0.25
Ending balance	**12,430,000**	**$0.22**	**6,430,000**	**$0.20**
Options exercisable	**11,180,000**	**$0.24**	**5,180,000**	**$0.22**

Weighted Average Exercise Price	**Expiry Date**	**Number Outstanding**	**Number Exercisable**	**Weighted Average Remaining Contractual Life**
0.25	February 15, 2017	1,945,000	1,945,000	0.55 years
0.25	August 8, 2017	1,365,000	1,365,000	1.02 years
0.20	July 15, 2018	1,060,000	1,060,000	1.96 years
0.25	October 16, 2018	60,000	60,000	2.21 years
0.10	February 19, 2021	2,000,000	750,000	4.56 years
0.25	June 14, 2021	6,000,000	6,000,000	4.87 years
$ 0.22		**12,430,000**	**11,180,000**	**2.53 years**

(e) Share-based compensation

During the three-months ended July 31, 2016, the Company recorded share-based compensation totaling $932,000 (2015 - $Nil) of which $264,100 (2015 - $Nil) was capitalized as mineral property expenditures and $667,900 (2015 - $Nil) was expensed as share-based compensation in operations, with a corresponding increase in reserves-share based.

5. SHARE CAPITAL (cont'd...)

(e) Share-based compensation (cont'd…)

During the year ended April 30, 2016, the Company recorded share-based compensation totaling $88,600 (2015 - $190,651) of which $13,400 (2015 - $48,462) was capitalized as mineral property expenditures, $26,900 (2015 - $142,189) was expensed as share-based compensation in operations and $48,300 (2015 – Nil) represents finders' fees as per note 5(a) above, with a corresponding increase in reserves-share based.

The fair value of share options was estimated on the measurement date using the Black-Scholes option-pricing model and is amortized over the vesting period of the underlying options. The assumptions used to calculate the fair value were as follows:

	Three-months Ended July 31, 2016	Year Ended April 30, 2016
Risk-free interest rate	0.53%	0.65%
Expected life of options	5 years	5 years
Expected volatility	77.91%	77.17%
Weighted average fair value per option	$0.16	$0.05
Dividend yield	Nil	Nil

6. GOLD STREAM ARRANGEMENT

In July 2014, the Company completed an agreement with Marlin Gold Mining Ltd. ("Marlin") for a US$15.0 million gold streaming arrangement at its San Albino Gold Deposit and surrounding area. Under the arrangement, Marlin's wholly-owned subsidiary, Sailfish Royalty Corp. ("Sailfish") will be entitled to purchase 40% of the gold production from the San Albino Gold Deposit at US$700 per troy ounce, subject to a 1% per year cost escalation beginning three years from commercial production, until Sailfish recovers US$19,600,000. During this period, the Company will be required to make minimum monthly payments of US$282,800 per month, either in gold production or in cash, when commercial production commences. Thereafter, Sailfish will be entitled to purchase 20% of gold production at US$700 per troy ounce, subject to a 1% per year cost escalation beginning three years from commercial production plus 50% of the price differential above US$1,200 per troy ounce, subject to certain adjustments. Prior to commercial production, Sailfish will be entitled to receive an 8% semi-annual coupon payment on the outstanding balance due from the Company. During the fiscal year ended April 30, 2015, the Company incurred financing fees of $411,787 associated with the execution of this agreement.

During the year ended April 30, 2016, the Company received an initial draw down of $673,245 (US$536,536) of the upfront cash payment amount of US$15.0 million, to be used for engineering work during the pre-development phase. The balance of the US$15.0 million is subject to Marlin's election to proceed and is payable in installments once the project schedule and project budget are completed, approved by the Company and accepted by Marlin. Prior to commercial production, an 8% semi-annual coupon payment on the outstanding balance is payable by the Company. At April 30, 2016, the Company had recorded interest payable of $15,934 (US$11,800).

During the three-months ended July 31, 2016, the Company received further draw down funds of $245,448 (US$187,997), which is recorded at the period-end F/X rate of 1.3056, of the upfront cash payment amount to be used for on-going engineering work during the pre-development phase. The Company recorded interest payable of $15,988 (US$12,246) which was also recorded at the period-end rate of 1.3056 and interest payments made of $25,304 (US$19,481) which was recorded at the F/X rate of 1.2989 on the date of payment. Differences in foreign exchange

rates between the prior year-end rate and the current period-end rate attributed a further $26,598 to the liability recorded.

6. GOLD STREAM ARRANGEMENT (cont'd…)

As at July 31, 2016, the Company had recorded the following:

	USD	CAD Equivalent
Beginning balance, May 1, 2016	$ 548,336	**$ 689,179**
Add:		
Principal on draw-downs under Gold Stream Arrangement	187,997	**245,448**
Interest payable on draw-downs under Gold Stream Arrangement	12,246	**15,988**
Due to changes in foreign exchange rates	-	**26,59**
Less:		
Semi-annual interest payments made on draw-downs under Gold Stream Arrangement	(19,481)	**(25,304)**
Total principal and interest payable under Gold Stream Arrangement	$ 729,098	**$ 951,909**

7. RELATED PARTY TRANSACTIONS

Key management includes directors (executive and non-executive), the CEO, President, CFO, and VP of Exploration. The Compensation paid or payable to key management for employee services is shown below:

	July 31, 2016	July 31, 2015
Management & consulting fees (included in E&E assets)	**$ 99,000**	$ 24,000
Wages	**42,000**	41,400
Share-based compensation	**279,540**	-
Total	**$ 420,540**	$ 65,400
Accounts payable due to related parties	**$ 602**	$ 704

8. COMMITMENTS

The Company has entered into an operating lease agreement for its corporate head office premises. The annual lease commitments under the lease are as follows:

2017	$ 44,670
2018	$ 61,304
2019	$ 61,304
2020	$ 40,869

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments measured at fair value are classified into one of three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(a) Fair value

The Company's financial instruments include cash, receivables and accounts payable. The carrying values of cash, receivables and payables approximate fair value because of the short-term nature of these instruments.

(b) Credit and interest risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk arising from operations. The Company has cash balances but no interest-bearing debt. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and receivables. The Company's current policy is to invest excess cash in variable interest investment-grade demand deposit certificates issued by reputable financial institutions with which it keeps its bank accounts and management believes the risk to be remote. Receivables are primarily due from a government agency. The Company's credit risk has not changed significantly from the prior year.

(c) Liquidity risk

The Company manages liquidity risk by ensuring that it has sufficient cash and other financial resources available to meet its short term obligations. The Company forecasts cash flows for a period of twelve months to identify financial requirements. These requirements are met by accessing financing through private placements, the risks of which are discussed in Note 1 above.

(d) Commodity risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of commodities for which it is exploring. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

(e) Foreign currency risk

The Company's functional currency is the Canadian dollar; however, its subsidiaries' functional currency is the US dollar. The Company is exposed to the currency risk related to the fluctuation of foreign exchange rates and the degree of volatility in these rates. A 1% change in rates would result in a nominal increase / decrease to monetary assets.

10. CAPITAL MANAGEMENT

The Company manages its common shares, stock options and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, the Company may consider issuing new shares, and/or issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash on deposit in an interest bearing Canadian chartered bank account. Cash consists of cash on hand and demand deposits. There have been no changes to the Company's approach to capital management during the three-month period ended July 31, 2016.

11. SEGMENTED INFORMATION

The Company operates in the single business segment of mineral acquisition and exploration. The Company's identifiable capital assets are located primarily in Nicaragua. Geographic information is as follows:

		July 31, 2016		April 30, 2016
Equipment				
Nicaragua	$	99,777	$	107,031
Canada		11,983		9,004
	$	**111,760**	**$**	**116,035**
Exploration and evaluation assets				
Nicaragua	$	34,507,930	$	31,177,314
	$	**34,507,930**	**$**	**31,177,314**
Net Loss				
Canada	$	791,725	$	466,598
	$	**791,725**	**$**	**466,598**

12. SUBSEQUENT EVENTS

Subsequent to July 31, 2016 the Company:

(a) granted 2,415,000 options to directors, officers, employees and consultants at an exercise price of $0.30 per share for a term of five years;

(b) received proceeds of $30,744 from the exercise of 256,200 share purchase warrants; and,

(c) received proceeds of $245,000 from the exercise of 1,000,000 options.